Management's Discussion & Analysis

For the three- and nine-month periods ended December 31, 2023

Table of Contents

PRELIMINARY NOTES

This management's discussion and analysis of financial position and results of operations (**MD&A**) of Medexus Pharmaceuticals Inc. and its subsidiaries (collectively **Medexus** or **Company**) relates to the three- and nine-month periods ended December 31, 2023. It was approved by Medexus's board of directors (**Board**) on February 7, 2024.

The unaudited condensed interim consolidated financial statements of Medexus for the three- and nine-month periods ended December 31, 2023 were prepared in accordance with International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**). This MD&A should be read in conjunction with Medexus's fiscal 2023 audited consolidated financial statements and most recently filed annual information form (**AIF**).

Throughout this MD&A, 12-month periods (ended March 31) are sometimes referred to as "financial years" or "fiscal years" and three-month periods within each financial year are sometimes referred to as sequentially-numbered "financial quarters" or "fiscal quarters" (with fourth financial quarters ended on March 31).

Unless the context otherwise requires, all financial information in this MD&A is presented on an IFRS basis and all amounts are presented in US dollars.

Forward-looking statements

Certain statements in this MD&A contain forward-looking information within the meaning of applicable securities laws (**forward-looking statements**). Such forward-looking statements include statements that express or involve discussions as to expectations, beliefs, plans, objectives, assumptions, or future events or performance, and which are not historical facts. Forward-looking statements are often, but not always, indicated by words or phrases such as "anticipates", "believes", "budget", "could", "estimates", "expects", "forecasts", "goals", "intends", "may", "might", "objective", "outlook", "plans", "projects", "schedule", "should", "will", "would", and "vision". All forward-looking statements in this MD&A are expressly qualified by the cautionary statements in this section.

Specific forward-looking statements in this MD&A include, but are not limited to, information contained in statements regarding any of the following: Medexus's business strategy, outlook, and other expectations regarding financial or operational performance; anticipated trends and challenges in Medexus's business and the markets in which it operates, including the Company's competitive position in and demographics of those markets; Medexus's expectations and plans regarding future growth, revenues, and expenses (including in respect of IXINITY, the IXINITY manufacturing process improvement initiative, and Medexus's other leading products); Medexus's ability to pay dividends, distributions, and other cash amounts in respect of Medexus's outstanding securities; Medexus's expectations regarding the business strategies of its competitors, pricing of products, and product opportunities; Medexus's overall capital allocation strategy, including expectations regarding availability of funds from operations, cash flow generation, and capital allocation and anticipated cash needs, capital requirements, and needs for additional financing; Medexus's ability to secure and fund commercialization rights to promising products and the performance of those products against expectations; and the ability of Medexus and its business partners to secure regulatory approvals from the US Food and Drug Administration (**FDA**), Health Canada, and other agencies when required. In addition, forward-

looking statements in this MD&A also include statements regarding the potential benefits of treosulfan and terbinafine hydrochloride; the occurrence, timing, and expected outcome of the FDA review process for treosulfan (including any related collection and submission of information to the FDA and the FDA's acceptance and review of that information) and the Health Canada review process for terbinafine hydrochloride; and, if approved by the FDA (in the case of treosulfan) and Health Canada (in the case of terbinafine hydrochloride), the expected timing of any commercial launch of the product in the relevant market and related expectations regarding the product's prospects, and the potential competitive position of the product and anticipated trends and potential challenges in the market in which the product is expected to compete.

The forward-looking statements and information included in this MD&A are based on Medexus's current expectations and assumptions. Although Medexus believes that such expectations and assumptions are reasonable, readers of this MD&A should not place undue reliance on the forward-looking statements and information in this MD&A because Medexus can give no assurance that they will prove to be correct. Forward-looking statements and information involve inherent risks and uncertainties because they address future events and conditions. Actual results could differ materially from those currently anticipated by Medexus as a result of a number of factors, risks, and uncertainties. Relevant risks and uncertainties include, among other things, the uncertainties inherent in research and development conducted by Medexus or, more frequently, its business partners, including the ability to meet anticipated clinical endpoints, commencement and/or completion dates for clinical trials, regulatory submission dates, regulatory approval dates, and/or launch dates, as well as the possibility of unfavorable new clinical data and further analyses of existing clinical data; the risk that clinical trial data relating to products or product candidates are subject to differing interpretations and assessments by regulatory authorities or other third parties; whether regulatory authorities or other third parties will be satisfied with the design of and results from clinical studies of a given product or product candidate; whether and when drug applications may be filed in a given market for the relevant product; whether and when any such applications may be approved by regulatory authorities, which will depend on many factors, including determinations as to whether the product candidate's benefits outweigh its known risks and determinations of the product candidate's efficacy; decisions by regulatory authorities impacting labeling, manufacturing processes, safety, and/or other matters that could affect the availability or commercial potential of the product; and, if approved, whether the product will be commercially successful, including as a result of competitive developments; and the outcome of any court decisions. A further description of material risk factors that could cause actual results or events to differ materially from those expressed in Medexus's forward-looking statements can be found under the heading "Risk Factors and Risk Management" in this MD&A and the Company's most recent annual MD&A and "Risk Factors" in Medexus's most recent AIF. In addition, new factors, risks, and uncertainties that affect Medexus can emerge from time to time. It is not possible for management to predict all such factors, risks, and uncertainties nor to assess in advance the impact of each such factor, risk, or uncertainty on Medexus's business, or the extent to which any factor, risk, or uncertainty, or combination of factors, risks, or uncertainties, may cause actual results to differ materially from those contained in any of Medexus's forward-looking statements.

Unless otherwise noted, any forward-looking statement speaks only as of the date of this MD&A. Except as expressly required by applicable law, Medexus does not undertake any obligation to update any forward-looking statement to reflect events or circumstances after the date on which

that forward-looking statement is made or to reflect the occurrence of unanticipated subsequent events.

Non-GAAP measures

Company management uses, and this MD&A refers to, financial measures that are not recognized under IFRS and do not have a standard meaning prescribed by generally accepted accounting principles (**GAAP**) in accordance with IFRS or other financial or accounting authorities (**non-GAAP measures**) as contemplated by National Instrument 52-112, *Non-GAAP and Other Financial Measures Disclosure*. These non-GAAP measures may include "non-GAAP financial measures", such as Adjusted Net Income (Loss), EBITDA (or earnings before interest, taxes, depreciation, and amortization), Adjusted EBITDA, and Net Debt, "supplementary financial measures", such as Equity Market Capitalization and Enterprise Value, and "non-GAAP ratios", such as Adjusted Net Income (Loss) per Common Share and Enterprise Value to Adjusted EBITDA.

Medexus's method for calculating these measures may differ from methods used by other companies and therefore these measures are unlikely to be comparable to similarly-designated measures used or presented by other companies. Medexus believes that these non-GAAP measures complement its IFRS measures and provide additional insight into, and allow for a more complete understanding of, the Company's financial and operational results and management's perspective on Medexus's business and operations.

Medexus considers these non-GAAP measures to be key metrics in assessing business performance and an important measure of operating performance and cash flow. However, Medexus's non-GAAP measures have limitations as analytical tools and should not be considered in isolation or as a substitute for analysis of Medexus's financial information as reported under IFRS.

A further explanation and discussion of each of these non-GAAP measures, including their limitations, is set out below. A reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to the most directly comparable IFRS measure can be found under the heading "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)". A reconciliation of Net Debt to the most directly comparable IFRS measure can be found under the heading "—Net Debt" below.

Adjusted Net Income (Loss)

Medexus defines **Adjusted Net Income (Loss)** as net income (loss), determined under IFRS, before unrealized loss (gain) on the change in fair value of the embedded derivatives in Medexus's now-repaid 6% unsecured convertible debentures (**Convertible Debentures**) which matured on October 16, 2023.

The Convertible Debentures were a compound financial instrument under IAS 32, *Financial Instruments: Presentation*, and had both a liability and an embedded derivative component. The fair value of the consideration for a compound instrument must be split into its liability and derivative components. The derivative is measured at fair value through profit or loss, and its fair value must be measured at each reporting period with subsequent changes in fair value recorded in the consolidated statement of loss. In the case of the Convertible Debentures, this non-cash value was sensitive to, among other things, fluctuations in Medexus's share price, which is largely

outside management's control and subject to external factors. In addition, several key assumptions affect the results of this calculation, including estimated share price volatility. Medexus uses a derivative valuation model to estimate the fair value of the derivative at the inception date and again at subsequent reporting dates. The most significant assumption used in this model is the discount rate to fair value for the liability component of the Convertible Debentures. Several other assumptions affect the results of this calculation, including estimated share price volatility.

Adjusted Net Income (Loss) adjusts net income (loss) to exclude these non-cash unrealized losses (gains). Medexus believes that Adjusted Net Income (Loss) provides a better representation of Medexus's performance because it excludes these non-cash fair value adjustments on unrealized liabilities that are largely outside management's control.

Medexus may also present Adjusted Net Income (Loss) on a per share basis. Adjusted Net Income (Loss) per Medexus common share (Common Shares) is calculated by dividing Adjusted Net Income (Loss) by the weighted average number of Common Shares outstanding during the applicable period.

Adjusted EBITDA

Medexus defines Adjusted EBITDA as net income (loss), or earnings, adjusted to exclude interest income and expense, income tax recovery and expense, depreciation of property and equipment, amortization of intangible assets, share-based compensation, financing and special transaction costs (for clarity, including fees related to acquisitions and related financings), termination benefits, foreign exchange gains or losses, unrealized gain or loss on the fair value of the embedded derivatives in the Convertible Debentures, unrealized gain or loss on the fair value of amounts payable in connection with business combination transactions, income from sale of assets, and impairment of intangible assets.

Medexus believes that Adjusted EBITDA, when used in conjunction with IFRS measures, is a useful supplemental measure of operating performance because Medexus believes that Adjusted EBITDA corresponds more closely over time to the performance of the Company's underlying business assets. In particular, Medexus believes that Adjusted EBITDA facilitates comparisons of historical performance by excluding non-cash items (such as stock-based payments, fair value adjustments, and impairment charges) and other amounts not directly attributable to the Company's primary operations (such as the impact of acquisitions, dispositions, and settlements).

Company management and the Board also use this non-GAAP measure to develop internal budgets and evaluate the performance of the Company and its management team.

Key limitations to using Adjusted EBITDA include the following –

- Adjusted EBITDA does not reflect the cash requirements necessary to service interest or principal payments on Medexus's debt, that may be required to pay the Company's taxes, that Medexus pays in connection with financing and special transactions, or that Medexus pays to former employees as termination benefits.
- Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will often have to be replaced in the future, and Adjusted EBITDA does not reflect any cash requirements for those potential future replacements.

- Although stock-based compensation expenses are non-cash charges, Medexus relies on equity instruments to compensate and incentivize Company directors, officers, and employees, and expects to continue doing so in the future.
- Although adjusting for the fair value of the embedded derivatives in the Convertible Debentures and the fair value of amounts payable in connection with business combination transactions are non-cash adjustments, these charges generally reflect the value of amounts that Medexus was subsequently required to pay in respect of the Convertible Debentures as determined under IFRS.

Net Debt

Medexus defines **Net Debt** as the sum of long-term debt (which includes the current and non-current portions of the facilities under the BMO Credit Agreement (defined below)) plus the Convertible Debentures (host and derivative portions) less cash and cash equivalents, in each case as shown on Medexus's consolidated statements of financial position (or balance sheet) as of a given date.

Medexus believes that Net Debt, when used in conjunction with IFRS measures, provides useful supplemental information about Medexus's financial position, in particular about the Company's level of indebtedness as of a given date. Key limitations to using Net Debt include the fact that it is a schematic representation of the amount of outstanding indebtedness and cash and cash equivalents that would be available to repay that outstanding indebtedness and that it does not include all debt-like contractual obligations of the Company.

The following table is derived from and should be read together with Medexus's consolidated financial statements for the most recently completed financial period. This supplementary disclosure is intended to more fully explain disclosures related to Net Debt and provides additional information related to Medexus's financial position.

(Amounts in $ '000s)

As at:	December 31, 2023	March 31, 2023
Current portion of long-term debt	15,078	8,733
Convertible debentures – Host	–	33,973
Convertible debentures – Derivative	–	80
Long-term debt	37,210	27,377
	52,288	70,163
Less: Cash and cash equivalents	8,213	13,069
Net debt	**44,075**	**57,094**

Equity Market Capitalization

Medexus defines **Equity Market Capitalization** as the product of the closing price of a Medexus common share on the TSX, converted from Canadian dollars to US dollars at the then-current daily exchange rate published by the Bank of Canada, multiplied by the total number of Common Shares outstanding, in each case as of a given date.

Enterprise Value

Medexus defines **Enterprise Value** (or **EV**) as the sum of Net Debt plus Equity Market Capitalization. Medexus also may present the following ratios based on Enterprise Value –

- Enterprise Value to Revenue (or EV/Revenue), which is calculated by dividing Enterprise Value by the Company's revenue as shown on Medexus's consolidated statements of income (loss) and comprehensive income (loss) (or income statement) for a given period – typically a trailing period of 12 months, four fiscal quarters, or one fiscal year.
- Enterprise Value to Adjusted EBITDA (or EV/Adj. EBITDA), which is calculated by dividing Enterprise Value by Adjusted EBITDA for a given period – also typically a trailing period of 12 months, four fiscal quarters, or one fiscal year.

Management believes that Enterprise Value and related ratios, when used in conjunction with IFRS measures, are useful supplemental measures of Medexus's financial position and performance because they provide an indication of the Company's total value as of a given date, including as related to the performance of the Company's underlying business assets over time as reflected in revenue and Adjusted EBITDA.

Trademarks and trade names

This MD&A contains references to trademarks and other protected names and marks, including those belonging to other companies, persons, or entities. Solely for convenience, trademarks and other protected names and marks referred to in this document may appear without the "®" or "™" symbols. Each such reference should be read as though it appears with the relevant symbol. Any such references are not intended to indicate, in any way, that the holder or holders of the relevant intellectual property rights will not assert, to the fullest extent under applicable law, its rights to these trademarks and other protected names and marks.

Website addresses

Uniform resource locators, or website addresses, that may appear in this MD&A are intended to be provided as inactive textual references only. Information contained on or accessible through these website addresses is not a part of this MD&A and is not incorporated by reference into this MD&A or any of Medexus's public filings.

COMPANY OVERVIEW

Medexus is a leading specialty pharmaceutical company with a strong North American commercial platform and a growing portfolio of innovative and rare disease treatment solutions. Medexus's experienced management team has a long and proven track record of successfully sourcing, developing, and commercializing pharmaceutical products in a variety of therapeutic areas at all stages of their life cycle throughout the United States and Canada. Medexus's current focus is on the therapeutic areas of oncology, hematology, rheumatology, auto-immune diseases, allergy, and dermatology. Medexus continues to build a highly differentiated company with a growing portfolio of products.

Medexus's current leading products are –

- IXINITY (US), an intravenous recombinant factor IX therapeutic for use in patients 12 years of age or older with hemophilia B, a hereditary bleeding disorder characterized by a deficiency of clotting factor IX in the blood which is necessary to control bleeding;
- Rasuvo (US) and Metoject (Canada), a unique formulation of methotrexate (auto-pen and pre-filled syringe) designed to treat rheumatoid arthritis and other auto-immune diseases;
- Rupall (Canada), an innovative prescription allergy medication with a unique mode of action; and
- Gleolan (US), an optical imaging agent currently indicated in patients with glioma (suspected World Health Organization Grades III or IV on preoperative imaging) as an adjunct for the visualization of malignant tissue during surgery.

These products have primarily driven Medexus's performance to date. Medexus also actively pursues opportunities to complement its existing product portfolio by licensing and acquiring new products. For example, in 2021, Medexus acquired exclusive US and Canadian rights to commercialize treosulfan. Treosulfan is part of a preparative regimen for allogeneic hematopoietic stem cell transplantation, or allo-HSCT, to be used in combination with fludarabine, used in treating eligible patients with acute myeloid leukemia, or AML, and myelodysplastic syndromes, or MDS. Treosulfan is approved by Health Canada, remains the subject of an ongoing regulatory review process with the FDA, and is orphan drug designated in the United States. Most recently, in March 2023, Medexus secured exclusive Canadian rights to commercialize terbinafine hydrochloride nail lacquer supplied by Polichem, an Almirall group company focused on medical dermatological treatments for skin health. Topical terbinafine is currently the subject of an ongoing regulatory review process with Health Canada.

For more information about Medexus's products and programs, see "Medexus's Business—Core products and programs" in the AIF.

Medexus believes that it offers a scalable commercial platform that can provide significant revenue and earnings potential. Medexus continues striving to increase revenue, optimize and leverage the Company's commercialization infrastructure across products, realize synergies across the Company's predecessor businesses, and maintain strict financial discipline. Medexus regularly explores additional complementary product opportunities in both current and planned therapeutic areas in both the United States and Canada, and regularly evaluates various transaction opportunities based on the Company's strategic plan.

SELECTED FINANCIAL INFORMATION

(Amounts in $ '000s)

Three-Month Periods Ended December 31	2023	2022	2021
Revenue	25,211	28,731	21,270
Cost of goods sold	12,518	12,798	9,769
Gross profit	12,693	15,933	11,501
Selling and administrative expense	10,692	11,878	10,679
Research and development	372	693	1,035
Transaction-related fees	–	–	33
Termination benefits	–	372	–
Operating income (loss)	1,568	2,900	(339)
Net loss	(534)	(1,507)	(1,150)
Adjusted Net Loss*	(534)	(861)	(3,389)
Adjusted EBITDA*	3,227	5,223	1,916
Basic net loss per Common Share	(0.02)	(0.07)	(0.07)
Diluted net loss per Common Share	(0.02)	(0.07)	(0.07)
Total assets	160,377	146,320	138,131
Total non-current liabilities	64,338	30,086	68,350
Cash provided (used) by operating activities	5,541	(2,204)	(1,718)
Cash used by investing activities	(1,751)	(538)	(353)
Cash provided (used) by financing activities	(15,158)	2,416	3,477

* See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

SELECTED FINANCIAL INFORMATION

(Amounts in $ '000s)

Nine-Month Periods Ended December 31	2023	2022	2021
Revenue	87,092	79,463	56,438
Cost of goods sold	40,883	34,442	28,625
Gross profit	46,209	45,021	27,813
Selling and administrative expense	34,502	36,864	34,140
Research and development	1,554	2,210	5,039
Transaction-related fees	–	172	33
Termination benefits	–	610	784
Operating income (loss)	9,962	4,880	(12,492)
Net income (loss)	(976)	(5,635)	2,408
Adjusted Net Loss*	(1,058)	(7,341)	(19,357)
Adjusted EBITDA*	15,133	11,326	(5,012)
Basic net income (loss) per Common Share	(0.05)	(0.28)	0.12
Diluted net income (loss) per Common Share	(0.05)	(0.28)	0.11
Total assets	160,377	146,320	138,131
Total non-current liabilities	64,338	30,086	68,350
Cash provided (used) by operating activities	17,107	(5,307)	(4,962)
Cash used by investing activities	(2,940)	(1,026)	(6,359)
Cash provided (used) by financing activities	(19,088)	5,807	2,203

* See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Note regarding period-to-period variations

Medexus acquired the exclusive right to commercialize Gleolan in the United States in March 2022 and successfully completed the full transition of US commercial responsibility to Medexus in August 2022. September 2022 was therefore the first full month, and the three-month period ended December 31, 2022 was the first full fiscal quarter, in which Medexus recognized 100% of Gleolan net sales in the Company's total revenue.

The timing of orders, particularly large orders, can cause variability in Medexus's revenue quarter-to-quarter. Revenue for the first two financial quarters of 2024 demonstrated some such variability, including because Medexus received and filled a number of orders of Rupall in first financial quarter 2024 that were originally anticipated to be received in second financial quarter 2024. In addition, pharmacy and wholesale customers of IXINITY exhibit varying buying patterns relative to patient unit demand, which may lead those customers to build up and subsequently work through inventory on hand and which can result in disproportionate fluctuations in quarterly sales of IXINITY. Third financial quarter 2024 exhibited such fluctuation as a large pharmacy customer reduced its calendar yearend purchases of IXINITY relative to past practice and Medexus's expectations. For more information on recent trends in IXINITY demand, see "Highlights for Three- and Nine-Month Periods Ended December 31, 2023—Operational highlights—Product highlights—Leading products—IXINITY (US)".

The Covid-19 pandemic created significant disruptions in the selling environment beginning in late fourth financial quarter 2020 which moderately affected Medexus's total revenue in financial year 2022 and continued to create moderate disruptions through early financial year 2023.

HIGHLIGHTS FOR THREE- AND NINE-MONTH PERIODS ENDED DECEMBER 31, 2023

The following describes highlights in Medexus's financial and operating performance for the three- and nine-month periods ended December 31, 2023.

Financial highlights

- Revenue of $25.2 million and $87.1 million for the three- and nine-month periods ended December 31, 2023, a decrease of $3.5 million and an increase of $7.6 million, or (12.2)% and 9.6%, compared to $28.7 million and $79.5 million for the three- and nine-month periods ended December 31, 2022. The $7.6 million year-over-year increase comparing the nine-month periods was primarily attributable to the recognition of 100% of Gleolan net sales in total revenue during the entire financial year 2024 period, continuing strong Rupall demand growth, and strong first fiscal quarter 2024 sales of IXINITY. The $3.5 million year-over-year decrease comparing the three-month periods was primarily attributable to decline in sales of IXINITY over the second and third fiscal quarters of 2024 and the accumulating effect of continued effective unit-level price reductions for Rasuvo.

- Adjusted EBITDA of $3.2 million and $15.1 million for the three- and nine-month periods ended December 31, 2023, a decrease of $2.0 million and an increase of $3.8 million, or (38.5)% and 33.6%, compared to $5.2 million and $11.3 million for the three- and nine-month periods ended December 31, 2022. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)". The changes in Adjusted EBITDA were primarily attributable to the changes in revenue mentioned above, together with reductions in operating expenses in third fiscal quarter 2024. See also "Discussion of Operations—Selling and administrative expense".

- Available liquidity of $8.2 million (December 31, 2023), consisting of cash and cash equivalents, compared to $13.1 million (March 31, 2023). The primary factor in the net decrease in cash comparing March 31, 2023 to December 31, 2023 was Medexus's use of cash to make the final maturity date payment in respect of the Convertible Debentures in October 2023, offset by, among other things, cash provided by operating activities of $5.5 million and $17.1 million for the three- and nine-month periods ended December 31, 2023. See "Liquidity and Capital Resources", including "—Cash flows".

- Operating income of $1.6 million and $10.0 million for the three- and nine-month periods ended December 31, 2023, a decrease of $1.3 million and an increase of $5.1 million compared to $2.9 million and $4.9 million for the three- and nine-month periods ended December 31, 2022.

- Net loss of $0.5 million and $1.0 million for the three- and nine-month periods ended December 31, 2023, an improvement of $1.0 million and $4.6 million compared to net loss of $1.5 million and $5.6 million for the three- and nine-month periods ended December 31, 2022.

- Adjusted Net Loss of $0.5 million and $1.1 million for the three- and nine-month periods ended December 31, 2023, an improvement of $0.4 million and $6.2 million compared to an Adjusted Net Loss of $0.9 million and $7.3 million for the three- and nine-month periods ended December 31, 2022. Adjusted Net Income (Loss) is adjusted for the non-cash unrealized gain of $0.0 million and $0.1 million for the three- and nine-month periods ended December 31,

2023 and the unrealized loss of $0.6 million and unrealized gain of $1.7 million for the three- and nine-month periods ended December 31, 2022. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Operational highlights

Product highlights

Leading products

IXINITY (US)

Unit demand in the United States decreased by 5% over the trailing 12-month period ended December 31, 2023. (Source: customer-reported dispensing data.) Demand continues to reflect the effects of lower observed average quantities of IXINITY consumed by newer patients, together with lower apparent adherence by existing patients and other developments in the broader hemophilia B treatment solutions market. Medexus now believes that these emergent trends are likely to persist. Medexus expects that this demand environment, together with the anticipated impact of additional statutory discounts and rebates under the Inflation Reduction Act of 2022 (discussed under "Company Strategy and Outlook—Industry trends—Medicare coverage"), will have a moderately adverse effect on product-level revenue going forward. See also "Selected Financial Information—Note regarding period-to-period variations" and "Discussion of Operations—Revenue". Medexus will seek to maintain existing demand but reduce investments in IXINITY's growth, with the pediatric indication as a tailwind if and when approved. For more information about Medexus's response to these trends, see "—Other highlights—Cost reduction initiative".

Rasuvo (US)

Medexus maintained its market leading position during the three-month period ended December 31, 2023, with an estimated >80% unit share during the trailing 12-month period ended December 31, 2023, as unit demand for Rasuvo remained strong in the moderately-growing US branded methotrexate market with a highly efficient allocation of sales force resources. (Source: Symphony Sub National 12/31/2023 Data & Chargebacks, PAP.) In the nine-month period ended December 31, 2023, unit demand for Rasuvo benefited from unanticipated shortages of competing product inventory. However, competition in the US branded methotrexate market continues to adversely affect Rasuvo product-level revenue. Medexus has also observed an increasing share of product-level revenue attributable to government-sponsored programs, which benefit from statutory discounts and rebates. This shift in the proportion of sales benefitting from such discounts and rebates, despite contributing to the product's strong market position, has adversely affected total product-level revenue. Medexus also expects that the anticipated impact of additional statutory discounts and rebates under the Inflation Reduction Act of 2022 (discussed under "Company Strategy and Outlook—Industry trends—Medicare coverage") will have an incrementally adverse effect on product-level revenue going forward. For more information about Medexus's response to these trends, see "—Other highlights—Cost reduction initiative".

Rupall (Canada)

Unit demand in Canada remained strong during the three-month period ended December 31, 2023, which is reflected in the unit demand growth of 21% over the trailing 12-month period ended

December 31, 2023. (Source: IQVIA CDH units – Drugstores and hospitals purchases, MAT December 2023.) This strong performance reflects successful execution of the Company's sales and marketing initiatives to sustain the product's strong performance over the seven years since its January 2017 commercial launch.

Gleolan (US)

Medexus continued to execute the Company's post-transition commercial plan, including new sales and marketing initiatives. This has included improved distribution of relevant product information content in relevant forums and application of the Company's broad range of commercial expertise to the relevant market. Medexus expects to continue developing insights regarding market dynamics and potential through these initiatives to inform the Company's continued commercialization efforts as the Company seeks to maximize product-level revenue, particularly in light of the minimum annual royalty amounts set out in the Gleolan license agreement for financial year 2024 and beyond, which Medexus expects to require additional royalty payments to the licensor for financial year 2024 and 2025. (See "Discussion of Operations—Gross profit and gross margin".) Medexus reduced its allocation of non-dedicated sales force resources to the product as part of the Company's implementation of a cost reduction initiative in January 2024. (See "—Other highlights—Cost reduction initiative".) Although Gleolan performance has remained lower than expected and Medexus now does not expect to meet the minimum royalty threshold under the Gleolan license agreement for financial years 2024 or 2025, Medexus intends to further increase its focus on Gleolan, as an institutional sales–based product that the Company believes will complement its commercialization activities for treosulfan if and when approved.

Metoject (Canada)

Unit demand increased by 17% in the trailing 12-month period ended December 31, 2023 in spite of direct generic competition. (Source: IQVIA – TSA database.) Product-level performance continues to experience moderate disruption from the launch of a generic product in the Canadian methotrexate market in calendar year 2020. In the three-month period ended June 30, 2023, unit demand for Metoject benefited from unanticipated shortages of competing product inventory, which continues to benefit unit demand through the periods ended December 31, 2023. Medexus continues to implement unit-level pricing strategies to defend its strong market position. Medexus continues to await the decision of the Federal Court of Canada regarding the trial in Medexus's defense of the Canadian patent for Metoject (discussed in the AIF), which concluded in January 2023.

Pipeline opportunities

Treosulfan (US)

medac GmbH (**medac**), licensor of Medexus's commercialization rights to treosulfan and the party responsible for regulatory matters under Medexus's February 2021 exclusive license agreement relating to treosulfan (**US Treosulfan Agreement**), continues to work toward responding to the FDA in respect of medac's resubmission of its new drug application (**NDA**) for treosulfan. The FDA continues to seek supporting information from medac relating to the pivotal phase 3 clinical trial of treosulfan conducted by medac, following the FDA's September 2022 and May 2022 notices of incomplete response and July 2021 complete response letter to medac. For more information about treosulfan, see "Medexus's Business—Core products and programs—Pipeline opportunities—Treosulfan (US)" in the AIF.

The data collection phase of medac's effort is now complete. It will take time for medac to process and submit the information requested by the FDA and obtain FDA acceptance of medac's treosulfan NDA resubmission, but progress to date remains in line with Medexus's previous expectations for this to occur in the first half of calendar year 2024. The parties will then have a specified negotiation period to agree to a further amendment with respect to any adjustments to the milestone payments. Medexus will have no obligation to make any milestone payments before the effective date of the further amendment (if any).

IXINITY (pediatric patient indication) (US)
Medexus continues to engage in constructive dialogue with the FDA regarding the supplemental Biological License Application for IXINITY for treatment of pediatric patients under 12 years of age with hemophilia B, which the FDA accepted for review in June 2023. Medexus is optimistic about the prospects for a favorable FDA decision in the first half of calendar year 2024 and believes that, if approved, the new pediatric indication would, in addition to expanding the current market potential for the product, provide Medexus with an opportunity to reinforce brand awareness and messaging for IXINITY in relevant markets. See also "—Other highlights—Cost reduction initiative".

Topical Terbinafine (Canada)
In March 2023, Medexus secured exclusive Canadian rights to commercialize terbinafine hydrochloride nail lacquer supplied by Polichem, an Almirall group company focused on medical dermatological treatments for skin health. Medexus has continued to make progress on the new drug submission, or NDS, seeking Health Canada approval of topical terbinafine nail lacquer to treat fungal nail infections. Medexus successfully submitted the NDS in December 2023 and in January 2024 learned that Health Canada had accepted the NDS for review.

Management views this product as a strategic fit with Rupall and expects that it will both contribute to the Company's Canadian revenues and engage the commercial infrastructure previously put in place to support Rupall, one of Medexus's current leading products. Management views the timing of Health Canada's acceptance of the NDS for review as consistent with Medexus's plans to target a commercial launch in the first half of calendar year 2025, subject to Health Canada approval.

Other highlights

Cost reduction initiative

In light of changing business conditions affecting its operations, in particular the recent trends in IXINITY demand and Rasuvo product-level performance, Medexus moved quickly to evaluate its management structure and operating expenses subsequent to period end, in January 2024. (For more information about these recent trends, see "Highlights for Three- and Nine-Month Periods Ended December 31, 2023—Operational highlights—Product highlights—Leading products—IXINITY (US)" and "—Rasuvo (US)".)

As a result of and based on this evaluation, Medexus formulated and implemented a cost reduction initiative. As part of this initiative, Medexus incurred termination benefits paid to departing personnel, which are considered to be outside the normal course of business and will be excluded from Adjusted EBITDA. (See "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".) These personnel reductions included a reduction in allocation of sales force resources to IXINITY and to Rasuvo. Medexus also implemented an

expense management initiative that is expected to further reduce operating expenses. Together Medexus expects that these actions will reduce operating expenses by an estimated $4 million to $6 million on an annualized basis, establishing a solid foundation to manage the future needs of the Company's business and generate cash flows from operations.

Bought-deal public offering

In October 2023, Medexus completed a bought-deal public offering (including full exercise of the customary overallotment option provided for under the underwriting agreement) and issued an aggregate of 3,898,384 units at a price of C$2.95 per unit for aggregate gross proceeds to Medexus of C$11.5 million (or C$10.8 million aggregate net proceeds before expenses).

Each unit issued in the offering consisted of one Common Share and one-half of one 2023 Warrant (defined below). For information about the terms of the 2023 Warrants, see "Disclosure of Outstanding Share Data—Description of securities—2023 Warrants".

2023 NCIB and maturity of Convertible Debentures

In May 2023, the Toronto Stock Exchange accepted Medexus's notice of intention to make a normal course issuer bid for its Convertible Debentures (2023 NCIB). Medexus repurchased C$1.7 million principal amount of its Convertible Debentures under the 2023 NCIB. The 2023 NCIB expired in accordance with its terms upon the maturity of the Convertible Debentures on October 16, 2023.

In connection with the maturity of the Convertible Debentures, in October 2023, Medexus made in cash the final maturity date payment of C$51.1 million (or approximately $37.5 million) to Computershare Trust Company of Canada as trustee for holders of the Convertible Debentures. Following their October 16, 2023 maturity date, the Convertible Debentures are no longer outstanding. See "Disclosure of Outstanding Share Data—Other information relating to Medexus securities".

DISCUSSION OF OPERATIONS

The following section discusses Medexus's results of operations for the three- and nine-month periods ended December 31, 2023 compared to the corresponding prior financial year periods.

Revenue

(Amounts in millions)	Three-month periods ended December 31			Nine-month periods ended December 31		
	2023	2022	Change	2023	2022	Change
Revenue	$25.2	$28.7	(12.2)%	$87.1	$79.5	9.6%

The $7.6 million year-over-year increase comparing the nine-month periods was primarily attributable to the recognition of 100% of Gleolan net sales in total revenue during the entire financial year 2024 period, continuing strong Rupall demand growth, and strong first fiscal quarter 2024 sales of IXINITY. The $3.5 million year-over-year decrease comparing the three-month periods was primarily attributable to this decline in sales of IXINITY over the second and third fiscal quarters of 2024 and the accumulating effect of continued effective unit-level price reductions for Rasuvo.

Medexus has continued to evaluate the effects of emergent trends affecting IXINITY and now believes that those trends are likely to persist and to have a moderately adverse effect on product-level revenue going forward. See "Highlights for Three- and Nine-Month Periods Ended December 31, 2023—Operational highlights—Product highlights—Leading products—IXINITY (US)" and "Selected Financial Information—Note regarding period-to-period variations". In addition, IXINITY revenue for the three-month period ended December 31, 2023 in particular was affected by the buying patterns of pharmacy and wholesale customers relative to patient unit demand, which Medexus believes is a result of those customers working through inventory on hand. See "Selected Financial Information—Note regarding period-to-period variations".

Revenue prior to September 30, 2022 did not include 100% of revenue from Gleolan sales in the United States. Medexus has recognized at least a portion of Gleolan sales in the United States since March 2022, when Medexus acquired the exclusive right to commercialize Gleolan in the United States. Full fiscal quarters starting September 2022 include recognition of 100% of revenue from Gleolan sales in the United States. Medexus continues to execute the Company's commercial plan, developing insights regarding market dynamics and product-level revenue potential that Medexus expects will inform the Company's continued commercialization efforts, and seeking to increase product-level revenue.

Gross profit and gross margin

(Amounts in millions)	Three-month periods ended December 31			Nine-month periods ended December 31		
	2023	2022	Change	2023	2022	Change
Gross profit	$12.7	$15.9	(20.1)%	$46.2	$45.0	2.7%
Gross margin	50.4%	55.4%	(5.0) ppt	53.0%	56.6%	(3.6) ppt

The $3.2 million year-over-year decrease and $1.2 million year-over-year increases in gross profit primarily reflect the changes in revenue discussed above. The (5.0) ppt and (3.6) ppt year-over-year decreases in gross margin primarily reflect changes in the relative contribution of product-level net sales, including the effect of Gleolan sales in the United States before September 2022, declining IXINITY sales over the second and third fiscal quarters of 2024, and the accumulating effect of continued effective unit-level price reductions for Rasuvo.

In general, gross profit and gross margin are primarily affected by Medexus's supply and distribution costs. These costs include the supply prices and royalties paid to third parties, warehouse and logistics expenses for product inventory, and allowances for potential product returns and other provisions. In the case of IXINITY, these costs include manufacturing costs charged by third-party contract manufacturers, which are subject to periodic increases in accordance with the terms of Medexus's contracts, including an amendment signed in April 2023; costs associated with manufacturing events such as low-yield or failed batches, as the manufacturing process is highly sensitive to deviations from product specifications; and royalty payment obligations assumed in connection with the February 2020 acquisition of Aptevo BioTherapeutics LLC, which are expected to constitute a low double-digit percentage of IXINITY net sales through the remaining life of the IXINITY patent portfolio.

In respect of Gleolan, in accordance with IFRS, Medexus recognized revenue from Gleolan sales in the United States as a royalty during the transition period contemplated by the Gleolan license agreement, before beginning to recognize net sales together with corresponding cost of goods sold upon completing the full transition of US commercial responsibility to Medexus in August 2022. Medexus expects that gross profit and gross margin in future financial quarters will be adversely affected by a higher effective royalty component of cost of goods sold as a result of the minimum royalty thresholds under the Gleolan license agreement, which the Company now does not expect to meet for financial years 2024 or 2025, due to revised estimates of product-level revenue potential and adoption in the United States based on the Company's evolving insights regarding market dynamics and actual sales performance to date.

Medexus also includes amortization of product licenses as a component of cost of goods sold. This amortization was $1.4 million and $4.2 million for the three- and nine-month periods ended December 31, 2023 compared to $1.4 million and $4.3 million for the three- and nine-month periods ended December 31, 2022.

Selling and administrative expense

(Amounts in millions)	Three-month periods ended December 31			Nine-month periods ended December 31		
	2023	2022	Change	2023	2022	Change
Selling and administrative expense	$10.7	$11.9	(10.1)%	$34.5	$36.9	(6.5)%

The $1.2 million and $2.4 million year-over-year decreases in selling and administrative expense were primarily attributable to targeted reductions in operating expenses, including as a continuing effect of a previous cost reduction initiative implemented in October 2022 in light of the ongoing delay in medac's response to the FDA's requests in respect of the treosulfan NDA.

Medexus also continues to seek opportunities to optimize its deployment of sales and marketing resources. For example, Medexus reduced its allocation of sales force resources to IXINITY and Rasuvo as part of the Company's implementation of a cost reduction initiative subsequent to period end, in January 2024, which the Company expects will improve the contributions of those products to overall financial results. Medexus intends to seek and consider efficient approaches to allocating its remaining sales force resources to its products based on the Company's strategic plan. For more information about the January 2024 cost reduction initiative, see "Highlights for Three- and Nine-Month Periods Ended December 31, 2023—Other highlights—Cost reduction initiative".

The following table provides additional detail on the primary components of Medexus's selling and administrative expense discussed above.

(Amounts in millions)	Three-month periods ended December 31			Nine-month periods ended December 31		
	2023	2022	Change	20223	2022	Change
Employee benefits	$5.2	$6.1	(14.8)%	$16.9	$18.4	(8.2)%
Sales and marketing	$2.6	$2.6	0.0%	$8.5	$8.7	(2.3)%
Regulatory, business development	$1.6	$1.5	6.7%	$4.7	$4.6	2.2%
General and administrative	$1.3	$1.7	(23.5)%	$4.4	$5.2	(15.4)%

Research and development

(Amounts in millions)	Three-month periods ended December 31			Nine-month periods ended December 31		
	2023	2022	Change	2023	2022	Change
Research and development	$0.4	$0.7	(42.9)%	$1.6	$2.2	(27.3)%

The $0.3 million and $0.6 million year-over-year decreases in research and development expense were primarily attributable to reductions in investments in the Company's now-completed phase 4 clinical trial of IXINITY. Medexus continues to invest a moderate amount of additional capital in connection with its IXINITY manufacturing process improvement initiative, which has had a positive impact on manufacturing costs.

Operating income

As a result of the factors described above, operating income was $1.6 million and $10.0 million for the three- and nine-month periods ended December 31, 2023, a decrease of $1.3 million and an increase $5.1 million compared to operating income of $2.9 million and $4.9 million for the three- and nine-month periods ended December 31, 2022.

Medexus expects that the anticipated reductions in operating expenses over the coming financial quarters resulting from the Company's January 2024 cost reduction initiative will positively impact operating income. For more information about the January 2024 cost reduction initiative, see "Highlights for Three- and Nine-Month Periods Ended December 31, 2023—Other highlights—Cost reduction initiative".

Net income (loss) and Adjusted Net Income (Loss)

As a result of the factors described above, net loss was $0.5 million and $1.0 million for the three- and nine-month periods ended December 31, 2023, representing year-over-year improvements of $1.0 million and $4.6 million compared to net loss of $1.5 million and $5.6 million for the three- and nine-month periods ended December 31, 2022.

Adjusted Net Loss was $0.5 million and $1.1 million for the three- and nine-month periods ended December 31, 2023, representing year-over-year improvements of $0.4 million and $6.2 million compared to Adjusted Net Loss of $0.9 million and $7.3 million for the three- and nine-month periods ended December 31, 2022.

Adjusted Net Income (Loss) is adjusted for the unrealized loss (gain) on the fair value of the embedded derivatives in the Convertible Debentures that is included in net loss. See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)".

Adjusted EBITDA

Adjusted EBITDA was $3.2 million and $15.1 million for the three- and nine-month periods ended December 31, 2023, representing a year-over-year decrease of $2.0 million and year-over-year increase of $3.8 million compared to $5.2 million and $11.3 million for the three- and nine-month periods ended December 31, 2022. The changes in Adjusted EBITDA were primarily attributable to the changes in revenue mentioned above, together with reductions in operating expenses in third fiscal quarter 2024.

Adjusted EBITDA is adjusted for a number of non-cash charges that are included in net income (loss) and Adjusted Net Income (Loss). See “Preliminary Notes—Non-GAAP measures” and “Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)”.

SUMMARY OF QUARTERLY RESULTS

The following table sets out summary unaudited quarterly financial information for each of the eight financial quarters through and including the financial quarter ended December 31, 2023.

(Amounts in $ '000s, except per share amounts)

Three-months ended	31-Dec-23	30-Sept-23	30-Jun-23	31-Mar-23	31-Dec-22	30-Sept-22	30-Jun-22	31-Mar-22
Total Revenue	25,211	30,326	31,555	28,633	28,731	27,686	23,046	20,263
Gross Profit	12,693	16,278	17,238	15,017	15,933	16,144	12,944	10,114
Selling and Administrative Expenses	10,692	11,911	11,899	11,389	11,878	12,861	12,125	9,892
Research and Development	372	741	441	733	693	856	661	834
Transaction-Related Fees	–	–	–	93	–	144	28	53
Termination Benefits	–	–	–	–	372	238	–	–
Operating Income (Loss)	1,568	3,554	4,840	2,734	2,900	1,947	33	(2,504)
Net Income (Loss)	(534)	(1,093)	651	6,856	(1,507)	(2,730)	(1,398)	(5,287)
Net Income (Loss) per Common Share – Basic	(0.02)	(0.05)	0.03	0.34	(0.07)	(0.14)	(0.07)	(0.27)
Net Income (Loss) per Common Share – Diluted	(0.02)	(0.05)	0.03	0.34	(0.07)	(0.14)	(0.07)	(0.27)
Adjusted Net Income (Loss)*	(534)	(1,168)	644	6,029	(861)	(2,843)	(3,637)	(4,619)
Adjusted Net Income (Loss) per Common Share* - Basic	(0.02)	(0.06)	0.03	0.30	(0.07)	(0.14)	(0.07)	(0.23)
Adjusted Net Income (Loss) per Common Share* - Diluted	(0.02)	(0.06)	0.03	0.29	(0.07)	(0.14)	(0.07)	(0.23)
Adjusted EBITDA*	3,227	5,325	6,581	4,823	5,223	4,197	1,906	1,081
Cash provided (used) by operations	5,541	7,351	4,215	3,863	(2,204)	912	(4,015)	3,782
Cash & cash equivalents, end of period	8,213	19,501	15,782	13,069	9,273	9,647	7,285	10,018
Assets	160,377	166,178	166,874	161,329	146,320	142,308	136,399	139,225
Long-term liabilities	64,338	50,424	53,567	55,385	30,086	60,609	69,298	73,325

* See "Preliminary Notes—Non-GAAP measures" and "Reconciliation of Adjusted Net Income (Loss) and Adjusted EBITDA to Net Income (Loss)"

Note regarding period-to-period variations

Medexus's total revenue is affected by seasonality in net sales of some of Medexus's leading products, such as Rupall, largely depending on the severity and timing of allergy seasons across Canada, and Rasuvo, which typically reflects an annual, temporary increase in demand as some US patients order additional product, likely to prepare for temporary relocation in winter months.

In the nine-month period ended December 31, 2023, unit demand for Rasuvo and Metoject benefited from unanticipated shortages of competing product inventory, which Medexus believes to be the indirect result of a global shortage of methotrexate. Medexus expects that this benefit will persist until this global shortage is resolved, the timing of which is uncertain and not possible for management to predict.

The timing of orders, particularly large orders, can cause variability in Medexus's revenue quarter-to-quarter. Revenue for the first two financial quarters of 2024 demonstrated some such variability, including because Medexus received and filled a number of orders of Rupall in first financial quarter 2024 that were originally anticipated to be received in second financial quarter 2024. In addition, pharmacy and wholesale customers of IXINITY exhibit varying buying patterns relative to patient unit demand, which may lead those customers to build up and subsequently work through inventory on hand and which can result in disproportionate fluctuations in quarterly sales of IXINITY. Third financial quarter 2024 exhibited such fluctuation as a large pharmacy customer reduced its calendar yearend purchases of IXINITY relative to past practice and Medexus's expectations. For more information on recent trends in IXINITY demand, see "Highlights for Three- and Nine-Month Periods Ended December 31, 2023—Operational highlights—Product highlights—Leading products—IXINITY (US)".

Medexus's research and development expense has varied in large part due to the timing of expenditures relating to the Company's now-completed phase 4 clinical trial of IXINITY and its ongoing IXINITY manufacturing process improvement initiative.

Medexus acquired the exclusive right to commercialize Gleolan in the United States in March 2022 and successfully completed the full transition of US commercial responsibility to Medexus in August 2022. September 2022 was therefore the first full month, and the three-month period ended December 31, 2022 was the first full fiscal quarter, in which Medexus recognized 100% of Gleolan net sales in the Company's total revenue.

Medexus's total revenue in financial year 2022 was moderately affected by the extreme changes to the selling environment brought about by the Covid-19 pandemic. The Covid-19 pandemic created significant disruptions in the selling environment beginning in late fourth financial quarter 2020 and continued to create moderate disruptions through early financial year 2023.

COMPANY STRATEGY AND OUTLOOK

Business strategy

Medexus focuses on commercialization of an existing portfolio of established and promotional stage pharmaceutical products previously licensed or acquired from third parties. These existing products have primarily driven Medexus's performance to date. Medexus also focuses on opportunities to complement its existing product portfolio by licensing and acquiring new products at various stages of the commercial lifecycle. Medexus therefore does not make significant investments in research and development. Medexus generally purchases finished products manufactured by third-party licensors located outside North America and distributes them in the United States or Canada. Medexus uses third-party contract manufacturers, primarily one located in the United States, to manufacture IXINITY.

Corporate organizational structure

Medexus Pharmaceuticals Inc., a Canada corporation, operates Medexus's business operations in Canada. It also owns 100% of the issued and outstanding shares of MI Acquisitions, Inc., a Delaware corporation.

MI Acquisitions, Inc. is an intermediate holding company that does not engage in any operating activities. MI Acquisitions, Inc. owns 100% of the issued and outstanding shares of Medexus Pharma, Inc., a Delaware corporation.

Medexus Pharma, Inc. operates Medexus's business operations in the United States. It is also the sole member (owning 100% of the membership interests) of Aptevo BioTherapeutics LLC, a Delaware limited liability company.

Aptevo BioTherapeutics LLC owns Medexus's rights to IXINITY. It otherwise does not engage in operating activities.

Industry trends

Medexus believes that a number of trends in the pharmaceutical industry create a favorable environment for the licensing or acquisition and distribution of commercial-stage assets.

Demographics

Growth of the population in general and aging of the population in particular will continue to drive demand for pharmaceutical therapies. Favorable perception of branded products will result in sustained opportunities for select established branded assets and promotional stage products, including those within Medexus's product portfolio.

Commercial pricing pressures

Pricing and access pressures in the commercial sector continue to be significant. Overall, there is increasing pressure on US providers to deliver healthcare at a lower cost and to ensure that those expenditures deliver demonstrated value in terms of health outcomes. Many employers have adopted high deductible health plans, which can increase out-of-pocket costs for medicines.

This trend is likely to continue. Private third-party payers, such as health plans, increasingly challenge pharmaceutical product pricing, which could result in lower prices, lower reimbursement rates, and a reduction in demand for Medexus's products. Pricing pressures also occur as a result of highly competitive insurance markets. Healthcare provider purchasers, directly or through group purchasing organizations, are seeking enhanced discounts or implementing more rigorous bidding or purchasing review processes.

*Managed care organizations (**MCOs**)*

The evolution of managed care in the United States has been a major factor in the competitiveness of the healthcare marketplace. A significant percentage of the US population now have some form of health insurance coverage, and the marketing of prescription drugs to both consumers and the entities that manage coverage in the United States continues to grow in importance. In particular, the influence of MCOs has increased in recent years due to the growing number of patients receiving coverage through MCOs. At the same time, consolidation in the MCO industry has resulted in fewer, even larger MCOs, which enhances those MCOs' ability to negotiate pricing and increases their importance to Medexus's business. Since MCOs seek to contain and reduce healthcare expenditures, their growing influence has increased pressure on drug prices as well as revenues.

Medicare coverage

Often, established branded pharmaceutical products, such as Rasuvo, that are subject to Medicare or Medicaid or fall under the Federal Supply Schedule may still be competitive in price to alternatives due to mandatory rebates and average manufacturer price calculation rules prescribed by US law. The Federal Supply Schedule is a list of contractors that have been awarded a contract by the US General Services Administration, an independent agency of the US government, and those contractors can be used by all US federal agencies.

Inflation Reduction Act of 2022

Medexus has continued to evaluate the impact of the Inflation Reduction Act of 2022 since the law became effective in August 2022. Based on the Company's ongoing assessments, together with recent related regulatory developments, Medexus now expects that the near- to mid-term adverse impact of the law on Medexus's net revenue and gross profit and gross margin is anticipated to be moderate. Medexus expects that this impact will be primarily attributable to increases in the Company's contractual payment obligations in respect of Rasuvo and IXINITY usage under Medicare (which benefits from mandatory discounts and rebates), the impact of ongoing Medicare redesign initiatives authorized under the law, and the indirect impact of the law on distribution costs. Medexus continues to evaluate the impact of these developments on its revenue and cost structure.

Product opportunities

Medexus expects that drug development companies without commercial infrastructure in the United States and Canada will continue seeking commercialization partners to promote their products in those markets.

Medexus also believes that large pharmaceutical companies will continue to focus on their core therapeutic areas, meaning that these companies will divest non-core or non-strategic products, many of which could fall into the product lifecycle stages on which Medexus focuses its business development activities.

Customers

Medexus has a limited number of direct customers, and the majority of Medexus's sales are to large national distributors, wholesalers, pharmacy chains and specialty pharmacies, healthcare institutions, and other large customers. For financial year 2023, three customers (all of which were large national wholesalers) each individually accounted for more than 10% of Medexus's total revenue, together accounting for approximately 61% of Medexus's total revenue, and four customers, all of which similarly were large national wholesalers, each individually accounted for more than 10% of Medexus's trade accounts receivable, together accounting for approximately 80% of Medexus's trade accounts receivable. See "Risk Factors—Risks relating to the business—Dependence on a small number of customers" in the AIF.

Manufacturing, supply, and distribution

Medexus focuses on managing the production and distribution of pharmaceutical products that the Company commercializes. Medexus generally purchases finished products manufactured by third-party licensors and distributes them in the United States or Canada. Medexus uses third-party contract manufacturers for IXINITY. Medexus relies on third-party logistics providers to administer distribution logistics processes in both the United States and Canada. This includes warehousing, order processing, shipping, and invoicing and collections.

Medexus and its third-party partners are, and will continue to be, subject to extensive government regulation in connection with the manufacture, supply, and distribution of pharmaceutical products. Products that Medexus commercializes must be manufactured in facilities and using processes, methods, and equipment that comply with the requirements of the FDA (for products commercialized in the United States) or Health Canada (for products commercialized in Canada). See "Risk Factors—Risks relating to the business—Reliance on third parties for the manufacture and supply of products" in the AIF.

LIQUIDITY AND CAPITAL RESOURCES

Overview

Medexus continually and proactively monitors its liquidity position. Medexus seeks to manage the Company's liquidity and capital resources to meet the demands of its operations in light of changes in business conditions and otherwise as appropriate in light of the underlying risk of the Company's assets. Failure to generate sufficient cash flows from operations or from additional financing activities would have an adverse effect on Medexus's ability to fulfill its financial obligations and achieve its business objectives. See "Risk Factors and Risk Management—Need for additional financing" and "Risk Factors and Risk Management—Risks associated with debt financing."

Meaningful near-term liquidity considerations for the Company include maintaining sufficient financial resources to –

- make interest and principal payments in respect of the Company's debt financing arrangements, in particular the BMO Credit Agreement;
- make regulatory milestone payments to the Company's third-party licensors if and when they become due;
- carry on the continued development and commercialization of existing products;
- secure new business opportunities and product registrations, including funding any associated clinical development programs;
- prevent or mitigate delays or challenges in supply of the Company's products; and
- comply with regulatory requirements, including those relating to manufacturing and distribution of the Company's products.

Medexus continues to evaluate its management structure and operating expenses in light of changing business conditions affecting the Company's operations, including the ongoing delay in medac's response to the FDA's requests in respect of the treosulfan NDA. In connection with this ongoing evaluation, Medexus implemented a cost reduction initiative subsequent to period end, in January 2024, and incurred termination benefits paid to departing personnel. Medexus also implemented an expense management initiative that is expected to further reduce operating expenses. For more information about the January 2024 cost reduction initiative, see "Highlights for Three- and Nine-Month Periods Ended December 31, 2023—Other highlights—Cost reduction initiative".

See also note 23 to Medexus's consolidated financial statements for the year ended March 31, 2023, which is available on Medexus's issuer profile on SEDAR+ at www.sedarplus.com, for additional information about liquidity and other risks that Medexus faces.

Sources of liquidity

Overview

As of December 31, 2023, Medexus had $8.2 million of available liquidity consisting of cash and cash equivalents (March 31, 2023 – $13.1 million).

Amounts outstanding under the Revolving Facility (defined below) appear in the current portion of long-term debt in Medexus's consolidated statement of financial position because Medexus may repay (and reborrow) those amounts at any time.

The total amount of the Convertible Debentures also appears in the current portion of long-term debt in Medexus's consolidated statement of financial position for periods ending before the October 16, 2023 maturity date of the Convertible Debentures. In connection with the maturity of the Convertible Debentures, in October 2023, Medexus made in cash the final maturity date payment of C$51.1 million (or approximately $37.6 million) to Computershare Trust Company of Canada as trustee for holders of the Convertible Debentures. Following their October 16, 2023 maturity date, the Convertible Debentures are no longer outstanding.

In October 2023, Medexus completed a bought-deal public offering of units, each comprising one Common Share and one-half of one 2023 Warrant, and received C$11.5 million aggregate gross proceeds (or C$10.8 million aggregate net proceeds before expenses), or approximately $8.5 million ($8.0 million) based on the Bank of Canada exchange rate on September 29, 2023. For information about the terms of the 2023 Warrants, exercise of which may generate additional proceeds to Medexus, see "Disclosure of Outstanding Share Data—Description of securities—2023 Warrants".

BMO Credit Agreement

In March 2023, Medexus entered into a new senior secured credit agreement (**BMO Credit Agreement**) agented by Bank of Montreal (**BMO**). Following a September 2023 amendment, the BMO Credit Agreement provides for a $53 million term loan facility (**Term Facility**) and a $3.5 million revolving loan facility (**Revolving Facility**). As of the date of this MD&A, Medexus had drawn all amounts under the Term Facility and the Revolving Facility. The Term Facility and the Revolving Facility will mature in March 2026.

Borrowings under the Term Facility bear interest at a rate of adjusted term SOFR plus a tiered margin determined quarterly based on Medexus's consolidated leverage ratio. Borrowings under the Revolving Facility similarly bear interest at a base rate plus a tiered margin. The base rate under the Revolving Facility is adjusted term SOFR or BMO's base rates for similar commercial loans, depending on the type of borrowing. The margin is determined in the same manner as the margin applicable to borrowings under the Term Facility. Medexus also pays customary tiered standby fee on available but undrawn amounts under the Revolving Facility. At December 31, 2023, the weighted average interest rate on borrowings under the Term Facility and the Revolving Facility was 8.22%.

The Term Facility is subject to an amortization schedule requiring that the principal amount be repaid on the last business day of each calendar quarter, on the basis of 5% per annum during the six months following the initial March 2023 funding date, 10% per annum during the

subsequent three months, 20% per annum during the next subsequent three months, and 25% per annum during the remainder of the term, with any remaining balance due at maturity of the BMO Credit Agreement.

The BMO Credit Agreement includes customary terms, including leverage and fixed charge coverage ratios, and provides for a first-priority security interest in all Medexus's assets.

Cash flows

(Amounts in $ '000s)

Three-month periods ended December 31	2023	2022
Cash provided (used) by operating activities	5,541	(2,204)
Cash used by investing activities	(1,751)	(538)
Cash provided (used) by financing activities	(15,158)	2,416
Decrease in cash position during the period	(11,368)	(326)
Impact of foreign exchange	80	(48)
Cash and cash equivalents, beginning of period	19,501	9,647
Cash and cash equivalents, end of period	8,213	9,273

(Amounts in $ '000s)

Nine-month periods ended December 31	2023	2022
Cash provided (used) by operating activities	17,107	(5,307)
Cash used by investing activities	(2,940)	(1,026)
Cash provided (used) by financing activities	(19,088)	5,807
Decrease in cash position during the period	(4,921)	(526)
Impact of foreign exchange	65	(219)
Cash and cash equivalents, beginning of period	13,069	10,018
Cash and cash equivalents, end of period	8,213	9,273

Operating activities

Cash provided by operating activities was $5.5 million for the three-month period ended December 31, 2023 compared to $2.2 million cash used by operating activities for the three-month period ended December 31, 2022. Cash provided by operating activities for the three-month period ended December 31, 2023 comprised a net income, adjusted for non-cash expenditures, of $2.0 million (2022 – $4.4 million) and a change in working capital of $3.5 million (2022 – $(6.6) million).

Cash provided by operating activities was $17.1 million for the nine-month period ended December 31, 2023 compared to $5.3 million cash used by operating activities for the nine-month period ended December 31, 2022. Cash provided by operating activities for the nine-month period ended December 31, 2023 comprised a net income, adjusted for non-cash expenditures, of $13.1 million (2022 – $10.0 million) and a change in working capital of $4.0 million (2022 – $(15.3) million).

Medexus's working capital balance has continued to change in connection with the Company's growth. Medexus continues to expect to see a positive change in the Company's cash flow over the coming financial quarters, but continues to monitor changing business conditions and related cash flow and working capital needs, in particular with respect to the Company's US operations.

Investing activities

Cash used by investing activities was $1.8 million and $2.9 million for the three- and nine-month periods ended December 31, 2023 compared to cash used by investing activities of $0.5 million and $1.0 million for the three- and nine-month periods ended December 31, 2022. The $1.3 million and $1.9 million year-over-year increases were primarily attributable to business combination payments related to the October 2018 acquisition of medac Pharma, Inc. (now known as Medexus Pharma, Inc.) and royalty payment obligations assumed in connection with the February 2020 acquisition of Aptevo BioTherapeutics LLC.

Financing activities

Cash used by financing activities was $15.2 million and $19.1 million for the three- and nine-month periods ended December 31, 2023 compared to cash provided by financing activities of $2.4 million and $5.8 million for the three- and nine-month periods ended December 31, 2022. The $17.6 million and $24.9 million year-over-year increases were primarily attributable to Medexus's repurchases under the 2023 NCIB in the three-month period ended September 30, 2023; interest and principal payments on Medexus's debt under the BMO Credit Agreement since March 2023; Medexus's October 2023 receipt of net proceeds under the accordion feature of the Term Facility and from the bought-deal public offering and use of cash to make the final maturity date payment in respect of the Convertible Debentures; and receipt of net proceeds under Medexus's revolving loan facilities in the three-month period ended June 30, 2022.

OFF–BALANCE SHEET ARRANGEMENTS

Medexus had no off-balance sheet arrangements as of December 31, 2023.

TRANSACTIONS WITH RELATED PARTIES

Below is a summary of transactions during the three- and nine-month periods ended December 31, 2023 in which Medexus participated and in which any related party as determined under IFRS had a direct or indirect material interest. Medexus views the following transactions with related parties as having occurred in the normal course of the Company's operations.

- Medexus pays warehouse and other fees to a company in which a named executive officer holds a 50% equity interest for customary storage, distribution, and other related services in respect of certain of Medexus's products in Canada. These fees totaled $69,000 and $192,000 for the three- and nine-month periods ended December 31, 2023 compared to $33,000 and $177,000 for the corresponding prior financial year periods.
- Two individuals who served as members of the Board during the three- and nine-month periods ended December 31, 2023 (2022 – three) owned or controlled, directly or indirectly, Convertible Debentures at various times. All interest payments on Convertible Debentures, including to these individuals, were made in accordance with the terms of the Convertible Debentures. Interest payments to these individuals totaled an aggregate of approximately $3,000 and $11,000 in cash during the three- and nine-month periods ended December 31, 2023, compared to an aggregate of approximately $69,000 and $214,000 in cash during the corresponding prior financial year periods. In connection with the October 16, 2023 maturity of the Convertible Debentures, Medexus made principal payments totaling $312,000 to these two individuals. Following their October 16, 2023 maturity date, the Convertible Debentures are no longer outstanding.

RECONCILIATION OF ADJUSTED NET INCOME (LOSS) AND ADJUSTED EBITDA TO NET INCOME (LOSS)

The following tables are derived from and should be read together with Medexus's consolidated statement of operations for the three- and nine-month periods ended December 31, 2023. This supplementary disclosure is intended to more fully explain disclosures related to Adjusted Net Income (Loss) and Adjusted EBITDA and provides additional information related to Medexus's operating performance. See "Preliminary Notes—Non-GAAP measures".

(Amounts in $ '000s)	Three-month periods ended December 31		Nine-month periods ended December 31	
	2023	2022	2023	2022
Net loss	(534)	(1,507)	(976)	(5,635)
Add back:				
Unrealized loss (gain) on fair value of derivatives	–	646	(82)	(1,706)
Adjusted Net Loss	(534)	(861)	(1,058)	(7,341)

(Amounts in $ '000s)	Three-month periods ended December 31		Nine-month periods ended December 31	
	2023	2022	2023	2022
Net loss	(534)	(1,507)	(976)	(5,635)
Add back:				
Depreciation and amortization (property, equipment, intangible assets)	1,448	1,515	4,357	4,594
Interest expense	2,656	3,552	11,140	9,994
Income tax expense (recovery)	(261)	547	92	582
EBITDA	3,309	4,107	14,613	9,535
Add back:				
Share-based compensation	211	436	814	1,070
Transaction-related fees	–	–	–	172
Termination benefits	–	372	–	610
Foreign exchange loss (gain)	(293)	(338)	(212)	1,645
Unrealized gain (loss) on fair value of derivatives	–	646	(82)	(1,706)
Adjusted EBITDA	**3,227**	**5,223**	**15,133**	**11,326**

CRITICAL ACCOUNTING ESTIMATES, JUDGMENTS, AND ASSUMPTIONS

The preparation of Medexus's condensed interim consolidated financial statements in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting principles and policies and the reported amounts of assets, liabilities, revenues, and expenses during the relevant periods covered by those financial statements. These estimates and assumptions are based on historical experience, expectations of the future, and other relevant factors. Medexus reviews its estimates and assumptions regularly. Revisions to accounting estimates are recognized in the period in which the estimates are revised and in any future period affected. Actual results may differ from these estimates. A description of Medexus's significant accounting estimates, judgements, and assumptions is included in note 2 to Medexus's consolidated financial statements for the year ended March 31, 2023.

FINANCIAL INSTRUMENTS AND OTHER INSTRUMENTS

The carrying values of cash, amounts receivable, advances to related parties, loans receivable, accounts payable and accrued liabilities, and advances from related parties approximate their carrying values due to the immediate or short-term nature of these instruments.

IFRS 13, *Fair Value Measurement*, establishes a fair value hierarchy that prioritizes the input to valuation techniques used to measure fair value as follows:

> Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities;
>
> Level 2 – inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
>
> Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Medexus's financial instruments consist of cash, other current assets, accounts payable, derivative liability, and promissory notes. The fair values of other current assets, accounts payable, related parties payable, Convertible Debentures, and promissory note approximate their carrying values either due to their current nature or current market rates for similar instruments. Cash is measured at fair value on a recurring basis using level 1 inputs. Derivative liability is measured at fair value on a recurring basis using level 3 inputs.

DISCLOSURE OF OUTSTANDING SHARE DATA

Summary

Medexus's authorized share capital consists of an unlimited number of Common Shares and an unlimited number of preferred shares. As of February 7, 2024, Medexus had 24,458,213 Common Shares and no preferred shares issued and outstanding.

In addition, as of February 7, 2023, the following number of Common Shares were issuable in accordance with the terms of convertible securities (including equity incentive compensation awards) issued by Medexus –

- 1,949,192 Common Shares issuable upon exercise of the 2023 Warrants, none of which were in the money;
- 233,903 Common Shares issuable upon exercise of warrants issued to the sole underwriter of an October 2023 bought-deal public offering, none of which were in the money;
- 1,139,404 Common Shares issuable upon settlement of RSUs and PSUs (each defined below), assuming vesting at 100%; and
- 831,592 Common Shares issuable upon exercise of Options (defined below), 271,428 of which were in the money.

Description of securities

The following sections set out a description of the material characteristics of each class of security that is issued and outstanding as of the date of this MD&A.

Common Shares

Each Common Share entitles the holder to one vote per share. The holders of Common Shares are entitled to receive notice of meetings of shareholders of Medexus and to vote at the meeting. Holders of Common Shares are entitled to receive, as and when declared by the Board, dividends in such amounts as may be determined by the Board. Holders of Common Shares have the right to receive any remaining residual asset value of Medexus in the event of a liquidation, dissolution, or winding-up of Medexus, whether voluntary or involuntary.

2023 Warrants

In October 2023, Medexus issued common share purchase warrants to purchase up to 1,949,192 Common Shares (2023 Warrants) through the issuance of an aggregate of 3,898,384 units in a bought-deal public offering. Each unit issued in the offering included one-half of one 2023 Warrant. Each 2023 Warrant entitles the holder to purchase one Common Share at an exercise price of C$3.65 at any time through April 6, 2026. The 2023 Warrants are issued under a common share purchase warrant indenture with Odyssey Trust Company as warrant agent.

In connection with the offering, Medexus also issued to the sole underwriter, as partial consideration for its services in connection with the offering, warrants to purchase up to 233,903 Common Shares at an exercise price of C$2.95 at any time through April 6, 2026.

Securities issued under the Equity Plans

Medexus issues equity incentive compensation awards to eligible participants under the Company's equity incentive compensation plans (**Equity Plans**): the Medexus Long Term Incentive Plan, which was adopted at the Company's annual meeting of shareholders in September 2022, and, previously, the Company's 2018 Omnibus Equity Incentive Plan, which continues to govern only equity incentive compensation awards issued to participants before September 2022.

Share units

Medexus issues share units to participants under the Equity Plans in the form of restricted share units (**RSUs**) or performance share units (**PSUs**).

- RSUs generally vest in one or more installments based on a participant's continued service and tenure over a period of time. For example, RSUs issued annually to directors since Fall 2020 vest on the date of the following annual general meeting of shareholders, and RSUs issued to employees, including members of senior management, since Fall 2023 will vest in equal annual installments over three-year periods from the relevant vesting start-date.
- PSUs vest in the event Medexus achieves one or more of a number of predetermined objectives during performance periods that generally, but not always, extend over multiple financial years. For example, PSUs issued to members of senior management through Fall 2021 will vest upon Medexus's achievement and public disclosure of Company-level financial objectives which PSUs are, based on their terms, unlikely to vest before March 31, 2024.

Each vested share unit represents an obligation of Medexus to deliver the value of one Common Share in accordance with the Equity Plans and the terms of the holder's award agreement.

Options

Medexus issues options to purchase Common Shares (**Options**) to participants under the Equity Plans. Options generally vest in one or more installments based on a participant's continued service and tenure over a period of time. For example, Options issued to date to newly hired employees since Fall 2020 vest in equal amounts upon the grant date and the first, second, third, and fourth anniversaries of the grant date, and Options issued annually to directors since Fall 2020 vest on the date of the following annual general meeting of shareholders.

Each vested Option represents an obligation of Medexus to deliver the value of one Common Share upon the holder's delivery of an exercise notice and value equal to the exercise price in accordance with the Equity Plans and the terms of the holder's award agreement.

Other information relating to Medexus securities

Convertible Debentures and related warrants

In October 2018, in connection with the acquisition of Medexus Inc. and medac Pharma, Inc. (now known as Medexus Pharma, Inc.), Medexus issued C$42 million aggregate principal amount of Convertible Debentures under an indenture with Computershare Trust Company of Canada as

trustee. The Convertible Debentures matured on October 16, 2023 and, following their October 16, 2023 maturity date, are no longer outstanding.

In addition, in connection with and from time to time following the October 2018 acquisition, Medexus issued common share purchase warrants to purchase Common Shares at a price of C$9.45 at any time through October 16, 2023 under an indenture with Computershare Trust Company of Canada as warrant agent. On October 16, 2023, all then-unexercised such warrants expired in accordance with their terms.

2023 NCIB

In May 2023, the Toronto Stock Exchange accepted Medexus's notice of intention to make a normal course issuer bid for its Convertible Debentures. A copy of the notice of intention to make the 2023 NCIB as filed with the TSX is available to investors at no charge by contacting Medexus.

Medexus repurchased C$1.7 million principal amount of its Convertible Debentures under the 2023 NCIB. The 2023 NCIB expired in accordance with its terms upon the maturity of the Convertible Debentures on October 16, 2023.

RISK FACTORS AND RISK MANAGEMENT

Medexus is subject to a number of risks and uncertainties. A risk is the possibility that an event might happen in the future that could have a negative effect on the Company's financial condition, financial performance, or business. The Board has overall responsibility for overseeing Medexus's evaluation and mitigation of these risks and periodically reviews Medexus's risk management practices.

A comprehensive discussion of the principal risks and uncertainties that Medexus faces are described under the heading "Risk Factors" in Medexus's most recent AIF, which is available on Medexus's issuer profile on SEDAR+ at www.sedarplus.com. See also note 23 to Medexus's consolidated financial statements for the year ended March 31, 2023, which are also available on Medexus's issuer profile on SEDAR+ at www.sedarplus.com, for additional information about Medexus's liquidity risk, credit risk, market risk, currency risk, interest rate risk, and capital risk management.

Management believes that the risks and uncertainties referenced in the preceding sentences have not materially changed. However, those risks are not the only risks facing Medexus, its business, and the pharmaceutical industry as a whole. Additional risks not currently known to Medexus, or that the Company currently deems immaterial, may also adversely affect Medexus's operations.

CONTROLS AND PROCEDURES

Disclosure controls and procedures

Medexus's management are together responsible for establishing and maintaining disclosure controls and procedures as defined in National Instrument 52-109 – Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109). Medexus's management have together designed such a system of disclosure controls and procedures to provide reasonable assurance that material information with respect to Medexus is made known to them and information required to be disclosed by Medexus in its annual filings, interim filings, or other reports filed, furnished, or submitted by the Company under securities laws is recorded, processed, summarized, and reported within the time periods required by the relevant securities laws.

Internal controls over financial reporting

Medexus's management are together responsible for establishing and maintaining internal controls over financial reporting as defined in NI 52-109 (ICFR). Medexus's management have together designed such a system of ICFR to provide reasonable assurance regarding the reliability of financial reporting for external purposes in accordance with IFRS. The control framework that Medexus's management used to design the Company's ICFR is set out in Internal Control–Integrated Framework (2013) as issued by the Committee of Sponsoring Organizations of the Treadway Commission. There have been no changes in Medexus's ICFR during the three months ended December 31, 2023 that have materially affected, or are reasonably likely to materially affect, Medexus's ICFR.

Limitations of controls and procedures

Any disclosure controls and procedures or internal controls over financial reporting, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within Medexus have been prevented or detected.

These inherent limitations include the reality that judgments in decision-making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Additionally, controls can be circumvented by the individual acts of individuals, by collusion of two or more people, or by unauthorized override of the control. The design of any control system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

ADDITIONAL INFORMATION

SEDAR+

Additional information about Medexus may be found on SEDAR+ at www.sedarplus.com.

See Medexus's consolidated financial statements as of and for the financial year ended March 31, 2023, together with the related independent auditor's report, for additional financial information about Medexus.

See Medexus's most recent annual information form for additional information about Medexus's business and operations.

Each of the above documents has been filed on SEDAR+.

Other information

Medexus seeks to achieve broad non-exclusionary distribution of information to the public and comply with its fair disclosure obligations. In addition to its filings on the Company's SEDAR+ profile at www.sedarplus.com, Medexus announces material information to the public through a variety of means, including press releases, public conference calls, and webcasts. Medexus also maintains a corporate website at www.medexus.com (a uniform resource locator, or website address, provided as an inactive textual reference only) and social media accounts on LinkedIn and X (formerly Twitter). Medexus uses these various means as channels of distribution of information about the Company. Information Medexus provides through these channels may be deemed material. Investors should monitor Medexus's corporate website, including press releases posted to the website, and social media accounts in addition to Medexus's public filings, conference calls, and webcasts. However, information contained on or accessible through Medexus's corporate website or social media accounts is not a part of this MD&A and is not incorporated by reference into this MD&A or any of Medexus's public filings.